TESTIMONY OF THE U S RICE PRODUCERS ASSOCIATION
and the
USA RICE FEDERATION

by
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before
THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

REVIEW OF AGRICULTURAL TRADE NEGOTIATIONS

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Mr. Chairman and Members of the Committee:

My name is Dan Gertson. I am a third generation rice farmer from Lissie, Texas. Many members of my family are also involved in farming, including four sons and two sons-in-law. I am currently serving as Vice Chairman of the Board of the U S Rice Producers Association.

It is a pleasure to appear before the Committee today to present the views of rice producers, millers, and exporters on agricultural trade negotiations, a topic of vital importance to our industry. I wish to commend the Committee for holding this hearing and thank you for the opportunity to testify. I am also pleased to be here representing the views of the U S Rice Producers Association and the USA Rice Federation. It is particularly an honor for me because this is the first time that I have ever testified before Congress.

The U.S. rice industry is a strong supporter of agricultural trade liberalization. Frankly, we have no choice. The United States has one of the most open rice markets in the world. Nearly one-half of U.S. rice production is exported, and the United States is the world's third largest rice exporter. Imports account for 12 percent of domestic U.S. rice consumption, which reflects, in large part, our extremely low import duties. In contrast to the open U.S. market, some form of U.S. rice – whether rough, brown, or milled – faces high tariffs, unfair trade practices or discriminatory treatment in nearly every major export market.

Our members have also suffered greatly from unilateral trade sanctions imposed by our own government that eliminated once vibrant markets in countries like Cuba and Iran. We now find ourselves playing a form of catch-up in appearing before the Committee today. The rice industry is urging a full-blown effort by the U.S. government to open foreign markets while we labor to rebuild markets that were denied us through unilateral U.S. trade sanctions.

Past trade agreements, coupled with substantial market development expenditures by industry and the U.S. government, have opened new markets, especially in Latin America and Asia. But inadequate attention to enforcement has canceled some of these gains and raised serious questions about the benefits of trade agreements. Rice producers are justified in being skeptical about the promise of improved market access in the face of real cuts in farm programs being proposed by the Administration in the current WTO negotiations.

Trade Benefits U.S. Rice Sector

For more than a decade, the rice industry has benefited from trade agreements that reduced tariffs and other trade barriers, and allowed many customers to choose what types and forms of rice to be imported. Several years of declining prices also supported increased foreign demand.

U.S. rice exports in 2003 of 4.5 million tons were 50 percent higher than sales 10 years earlier. The composition of U.S. rice exports has also evolved over the past 10 years. Rough, or unprocessed, rice now accounts for 45 percent of U.S. rice exports, up from less than 20 percent in the mid 1990s.

Mexico emerged as the single largest U.S. export market by quantity as rough rice sales grew steadily with the North American Free Trade Agreement. New markets in Japan, Korea and Taiwan for U.S. brown and milled rice were created as a benefit of U.S. membership in the World Trade Organization.

Focus Must be on Market Access and Enforcement

Despite the impressive growth in total exports, much work remains to be done to remove preferential and discriminatory practices of foreign governments that stymie U.S. rice exports by preventing the clear transmission of economic signals between foreign buyer and U.S. seller. Aggressive negotiating on market access in ongoing trade negotiations and rigorous enforcement by the Administration of existing trade agreements are essential.

The U.S. rice industry's key objectives in the current WTO negotiations and the ongoing bilateral and regional free trade talks are straightforward:

- The eventual elimination of tariffs on all types and forms of U.S. rice;
- The elimination of export subsidies; and
- Maintenance of an adequate farm safety net for U.S. producers.

Rice is produced in all of the major U.S. rice export markets. As a result, U.S. rice exports face a complex matrix of trade barriers, tailor-made by each importing country. While the overall effect restrains aggregate U.S. export opportunities, there are immediate impacts on certain segments of U.S. exports depending on the market. The best way to provide equal opportunity for all U.S. rice exports is to move toward tariff elimination.

The Central American Free Trade Agreement was a good first step in this direction. The existing large market for U.S. rough rice was preserved, thereby protecting the investment of substantial promotional dollars and years of effort on behalf of the U.S industry. U.S. negotiators were also able to secure for the first time guaranteed access, albeit small, for U.S. milled rice. The relatively long phase-in period to free trade in rice under the CAFTA – 18 to 20 years – is twice the phase-in period under the NAFTA. CAFTA puts us on a path to letting Central American customers choose the type of U.S. rice they want free of government distortions.

Our trade negotiators at the Office of the U.S. Trade Representative and the Department of Agriculture are to be commended for balancing difficult issues and reaching a comprehensive agreement. A similar balancing act will be necessary in negotiating other trade agreements. The U.S. rice industry supports congressional approval of the CAFTA.

Going forward, it is critical that the Doha Round of WTO negotiations be ambitious. It's our understanding that the negotiations are being handled in a broad-based fashion and we support this approach. Import regimes that lockout milled and rough rice from the EU, or that deny consumers access to U.S. rice in Japan and Korea, for example, must be corrected.

A fundamental reassessment of special and differential treatment to developing countries must also occur. Developing countries have special needs that can and should be accommodated in the negotiations. However, the current self-certification rules allow many countries with strong industrial and export sectors to claim the trade benefits of a developing country. This is simply not fair.

The trade agenda of the rice industry is ambitious, and we realize that others will ask for disciplines in exchange on "trade-distorting" U.S. farm programs. We accept this challenge, but it is not a trade-off to be made lightly. Administration negotiators will have to show real, measurable progress in bringing home significant market access gains before our producers and processors can seriously consider any reduction in U.S. programs.

In this regard, we salute your unambiguous position, Mr. Chairman, as well as and that of Congressman Stenholm, the Committee, and the administration, to appeal the expected adverse WTO panel report on the Brazilian challenge to U.S. programs. A strong U.S. defense of the consistency of U.S. farm and export financing programs with our country's WTO commitments is critical to maintaining support in the countryside for trade negotiations.

Enforcement Must be a Priority

Negotiating good trade agreements frequently solves one set of problems but reveals another. Rice importing countries often devise creative schemes that thwart trade agreements and keep U.S. rice out. Any U.S. trade agenda must include front-and-center a commitment of resources to ensure the enforcement of trade agreements.

In this regard, we commend the Administration for the firm stand it has taken against Mexico's attempts to roll back the NAFTA across a range of commodities, including rice. Mexico's use of anti-dumping restrictions against imports of U.S. milled rice is simply veiled protection for Mexican producers and millers. Even though Mexico is our largest rice export market, where rough rice accounts for over 90 percent of shipments, the Administration was right to challenge Mexico in the WTO's dispute settlement process regarding its treatment of U.S. milled rice. Mexico's anti-dumping action severely restricts the ability of the United States to grow the milled rice market.

Market access for U.S. rice is also under threat in the European Union (EU). As part of the Uruguay Round Agreement, the EU granted the United States a trade concession that allows U.S. brown rice to be competitive in the EU, the so-called Margin of Preference (MOP). The EU has now proposed to replace the MOP with tariff rate quotas that would cause serious commercial disruption to our existing brown rice trade, while doing nothing to improve access for U.S. rough or milled rice. EU offers of compensation for removing the MOP concession have been inadequate. Our trade negotiators must stand firm for an import regime in the EU that, at a minimum, maintains current access for brown rice.

Perhaps the "poster child" for the unfulfilled promise of trade agreements could be Japan. The good news is that the United States has enjoyed steady annual exports of about 335,000 tons of brown and milled rice to Japan. The bad news is that the Japanese government, the near-exclusive purchaser of U.S. rice, promptly places the imported U.S. rice in warehouses. Less than one percent of the U.S. rice exported to Japan reaches consumers as an identifiable product of the U.S.A. Japan is one of the world's leading economies and major exporters. We support the ongoing efforts of our negotiators to encourage Japan to further liberalize its rice import market.

Meaningful market access is also essential to the efficient and effective use of market development funds provided by the U.S. government and U.S. producers and millers. Activities under the Foreign Market Development program, the Market Access Program, and related programs have been essential to growing the market for U.S. rice in Mexico, Central America, the EU and Japan, for example. Market access and promotion go hand in hand, and limited market access restricts the implementation and effectiveness of market development programs. By the same token, if market access increases as a result of international agreements, we urge the Congress to provide enhanced funding for market development programs that will assist producers, millers and exporters to build and maintain markets for U.S. rice in these new markets.

Conclusion

In conclusion, threats abound to the livelihood of rice producers and millers. Budget pressures in Washington; trade restrictions overseas; potential legal trade wars in the WTO; and uncertain support for production agriculture all point to the necessity of open foreign markets as an important component of an economically viable rice industry. U.S. rice producers, millers, and exporters can compete if our export customers are free to make their own decisions about U.S. rice.

We urge the Committee to use its influence and expertise to help ensure that the WTO agricultural negotiations deliver on the promise of real and broad-based market access that has eluded U.S. agriculture -- without sacrificing the safety net provided by U.S. farm programs.

Thank you again for the opportunity to testify here today. I would be pleased to address any questions that you may have.